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8 *Chapter 11 Trustee*

FILED & ENTERED

NOV 27 2019

CLERK U.S. BANKRUPTCY COURT  
Central District of California  
BY handy DEPUTY CLERK

CHANGES MADE BY COURT

9  
10 **UNITED STATES BANKRUPTCY COURT**  
11 **CENTRAL DISTRICT OF CALIFORNIA**  
12 **NORTHERN DIVISION**  
13

14 In re:

15 HVI CAT CANYON, INC.,  
16 Debtor.

Case No. 9:19-bk-11573-MB

Chapter 11

**FINAL ORDER FOR EMERGENCY  
PRIMING AND SUPERPRIORITY  
FINANCING AND CONSENSUAL USE OF  
CASH COLLATERAL BY THE CHAPTER  
11 TRUSTEE**

Hearing

Date: November 21, 2019

Time: 2:30 p.m.

Place: Courtroom 201

1415 State Street

Santa Barbara, California

1 This *Final Order for Emergency Priming and Superpriority Financing and Consensual Use*  
2 *of Cash Collateral by the Chapter 11 Trustee* (this “Final Order”) is entered as of November [21],  
3 2019, with respect of the following facts:

4 On October 4, 2019 the Court denied the *Debtor’s Motion for Interim and Final Orders*  
5 *Pursuant to 11 U.S.C. §§ 105, 361, 362 and 363 Approving Use of Cash Collateral, Providing*  
6 *Adequate Protection and Setting Final Hearing Pursuant to Bankruptcy Rule 4001*[ECF No. 11]  
7 (the “Cash Collateral Motion”) and the *Motion of the Debtor to Surcharge Collateral Pursuant to*  
8 *11 U.S.C. §§ 506(c) and 552(b)* [ECF No. 55] (the “Surcharge Motion”).

10 On October 8, 2019, the Court entered an *Agreed Order for Consensual Use of Cash*  
11 *Collateral* [ECF No. 375] (the “Consensual Cash Collateral Order”), whereby UBS AG, London  
12 Branch (“UBS AG, London Branch”), the debtor and debtor in possession (the “Debtor”), the  
13 Official Committee of Unsecured Creditors (the “Committee”), and GIT, Inc. (“GIT”), in  
14 anticipation of a hearing on motions seeking appointment of a Chapter 11 trustee, agreed to use of  
15 cash collateral (as that phrase is defined in Section 363(a) of the Bankruptcy Code, “Cash  
16 Collateral”) for an interim period ending October 25, 2019. On October 16, 2019, the Court entered  
17 the *Agreed Order Granting Motion for Appointment of a Chapter 11 Trustee* [ECF No. 409] and  
18 approved appointment of Michael McConnell as the Chapter 11 trustee in this case (the “Trustee”)  
19 on October 22, 2019 [ECF No. 431].

21 Shortly before authority for use of Cash Collateral expired under the Consensual Cash  
22 Collateral Order, the Trustee and UBS AG, London Branch learned that the Debtor did not have  
23 sufficient cash to fund payroll and other operating expenses scheduled for payment. To address  
24 the immediate cash need, on October 24, 2019, the Trustee filed his *Notice of Motion and Trustee’s*  
25 *Emergency Motion for (1) Authority to Accept a Partial Prepayment of the Amount Owed by*  
26 *California Asphalt Production, Inc. to the Estate, or in the Alternative for Authority to Obtain*  
27

1 “Credit” in the Form of Such Prepayment, and (2) Waiver of any Stay Imposed by FRBP 6004(h);  
2 and Memorandum of Points and Authorities, Declaration of Tim Skillman, and Request for Judicial  
3 Notice in Support Thereof [ECF No. 439] (the “Emergency Motion”). Following the October 25,  
4 2019 emergency hearing, the Court entered the *Order Granting Trustee’s Emergency Motion for*  
5 *(1) Authority to Accept a Partial Prepayment of the Amount Owed by California Asphalt*  
6 *Production, Inc. to the Estate, or in the Alternative for Authority to Obtain “Credit” in the Form*  
7 *of Such Prepayment, and (2) Waiver of any Stay Imposed by FRBP 6004(h)* [ECF No. 449], granting  
8 authorizing the Trustee to accept a partial prepayment from California Asphalt Production, Inc.  
9 (“CAP”).

11 On November 7, 2019, the Trustee filed his *Emergency Motion for an Order: (1)*  
12 *Authorizing the Trustee to Obtain Secured Priming Superpriority Financing; (2) Authorizing The*  
13 *Continued Use of Cash Collateral; (3) Scheduling a Final Hearing; and (4) Granting Related Relief*  
14 [ECF No. 474] (the “Motion”) for authorization to obtain post-petition financing from UBS AG,  
15 Stamford Branch (“UBS AG, Stamford Branch” and together with UBS AG, London Branch,  
16 “UBS”) and continue to use the Cash Collateral of UBS AG, London Branch.

18 On November 8, 2019, the Court conducted an initial interim hearing on the Motion and  
19 entered the *Interim Order on Trustee’s Emergency Motion for an Order: (1) Authorizing the*  
20 *Trustee to Obtain Secured Priming Superpriority Financing; (2) Authorizing Continued Use of*  
21 *Cash Collateral; (3) Scheduling a Final Hearing; and (4) Granting Related Relief* [ECF No. 480]  
22 (the “Interim Order”), authorizing up to \$267,317 borrowings through a further interim hearing on  
23 November 12, 2019.

25 On November 12, 2019, the Court conducted the further interim hearing and authorized  
26 post-petition financing on an interim basis. On November 18, 2019, the Court entered the *Second*  
27 *Interim Order on Trustee’s Emergency Motion for an Order: (1) Authorizing the Trustee to Obtain*

1 *Secured Priming Superpriority Financing; (2) Authorizing Continued Use of Cash Collateral; (3)*  
2 *Scheduling a Final Hearing; and (4) Granting Related Relief* [ECF No. 524] (the “Second Interim  
3 Order”).

4 Based upon the Motion, and the financing pursuant to the credit agreement attached to the  
5 Motion and the Trustee’s use of Cash Collateral, such use being found necessary to avoid  
6 immediate and serious harm to the estate and potential harm to the public health and safety as  
7 contemplated by Bankruptcy Rule 4001(b) and (c), a final hearing to consider approval of the  
8 Motion having been held on November 21, 2019 (the “Final Hearing”), notice and opportunity for  
9 hearing being sufficient under the circumstances, and upon the findings of fact and conclusions of  
10 law made by the Court at the interim hearings and the Final Hearing, all of which are incorporated  
11 herein by reference, and good cause appearing therefor,  
12

13 **IT IS HEREBY FOUND AND ORDERED AS FOLLOWS:**

14  
15 1. Motion Granted. The Motion is granted on a final basis and the Facility (as defined  
16 below) and the Credit Agreement attached as Exhibit 3 to the Trustee’s Declaration (as amended,  
17 supplemented or otherwise modified from time to time, the “Credit Agreement”) are approved  
18 subject to limitations expressly set forth herein. Any objection to the Motion with respect to entry  
19 of this Final Order that have not been withdrawn, waived or settled, and any reservation of rights  
20 included therein, are hereby denied and overruled except as expressly set forth herein. ~~Except as~~  
21 ~~specifically amended, supplemented, or otherwise modified by this Final Order, all provisions of~~  
22 ~~the Second Interim Order remain in full force and effect and are hereby ratified by this Final Order~~  
23 ~~and incorporated herein by reference as though set forth fully below.~~

24  
25 2. Jurisdiction and Venue. The Court has jurisdiction over this matter pursuant to 28  
26 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory  
27 predicates for the relief granted herein are section 364 of the Bankruptcy Code and Bankruptcy  
28

1 Rule 4001(c). Venue of this Chapter 11 proceeding and the Motion is proper in this district pursuant  
2 to 28 U.S.C. § 1408 and 1409.

3 3. Hearing Held; Notice. The Final Hearing was held pursuant to Bankruptcy Rules  
4 4001(c)(2). Notice of the Final Hearing and the relief requested in the Motion was given as set  
5 forth in the proof of service filed by the Trustee.

6 4. No Credit Available on More Favorable Terms. The Trustee, on behalf of the  
7 Debtor and the Debtor's estate, is unable to find sufficient financing from sources other than UBS  
8 AG, Stamford Branch on terms more favorable than the terms for the term loan facility (the  
9 "Facility") described in the Credit Agreement.

10 5. Need for Post-Petition Financing and Use of Cash Collateral. This financing is  
11 critical for the Debtor to continue its operations in the ordinary course. The Facility, the Trustee's  
12 entry into the Credit Agreement, and related relief is necessary to avoid immediate and irreparable  
13 harm to the Debtor's estate, its employees, and all parties-in-interest. The Facility is the best source  
14 of financing available to the Debtor under the circumstances and was entered into in good faith and  
15 at arm's-length.

16 6. Protective Advances. The advances under the Facility shall constitute advances to  
17 protect and preserve the collateral under that certain First Lien Credit Agreement dated as of May  
18 20, 2016 and that certain Second Lien Credit Agreement dated as of May 20, 2016 among the  
19 Debtor, Rincon Island Limited Partnership, GOGH, LLC and UBS AG, London Branch  
20 (collectively, the "Prepetition Credit Agreements") and the obligations arising thereunder the  
21 "Prepetition Obligations") and shall remain subject to any guarantee provided thereunder. For the  
22 avoidance of doubt, all proceeds of the Facility shall constitute Cash Collateral.

23 7. Authorization for Emergency Financing. The Trustee is authorized on a final basis  
24 to borrow, and UBS AG, Stamford Branch is authorized to advance, up to \$3 million in financing,  
25

1 under the Credit Agreement, subject to the terms of this Final Order, and in accordance with the  
2 budget attached hereto as Exhibit 1 (including all terms and conditions set forth therein and as may  
3 be updated from time to time in accordance with the Credit Agreement, the “Budget”), subject to a  
4 line-item variance of ten percent (10%) of the expenses set forth in the Budget tested on a  
5 cumulative basis by disbursement categories contained in the Budget (the “Permitted Variance”).

6 The Trustee and UBS AG, Stamford Branch are authorized to extend the availability period under  
7 the Credit Agreement by up to two weeks and increase the amount of financing by an aggregate  
8 amount of up to \$500,000 upon mutual agreement of the Trustee and UBS AG, Stamford Branch  
9 without further order of this Court. All advances provided by UBS AG, Stamford Branch under  
10 the Facility prior to the Final Hearing, including but not limited to the \$197,516 advanced by UBS  
11 AG, Stamford Branch on an emergency basis pursuant to the Interim Order and the \$994,346  
12 advanced by UBS AG, Stamford Branch pursuant to the Second Interim Order, shall be subject to  
13 ~~the terms of the Second Interim Order~~ remain subject to the terms of those orders, as incorporated  
14 into this Final Order and, notwithstanding anything to the contrary in this Final Order, ~~shall remain~~

15 ~~senior in priority to all other liens.~~ Any advances provided by UBS AG, Stamford Branch under  
16 the Facility after November 21, 2019 shall be subject to the terms of this Final Order and, to the  
17 extent Santa Barbara has valid, senior, perfected, and non-avoidable liens for ad valorem taxes  
18 under applicable law, shall be junior in priority and subject to such valid, senior, perfected, and  
19 non-avoidable ad valorem tax liens in favor of Santa Barbara. Immediately upon entry of this Final  
20 Order, the Trustee shall, and is hereby authorized on a final basis to, execute and deliver to UBS  
21 AG, Stamford Branch the Credit Agreement and all other loan documents required to be executed  
22 and delivered under the Facility. The Trustee and counsel acting on behalf of the Trustee are further  
23 authorized to take any such actions that may be necessary to implement the Facility and borrow  
24 funds under the Credit Agreement as approved in this Final Order, including without limitation to

1 issue, execute and deliver any such certificates, borrowing requests or other documents and  
2 directions that may be requested by UBS AG, Stamford Branch. Nothing in this Final Order shall  
3 create any obligation of UBS to advance or lend any money to the Trustee or the Debtor, and any  
4 such advances or loans shall be made by UBS AG, Stamford Branch only in accordance with the  
5 terms and conditions of the Credit Agreement and this Final Order. UBS respectfully notes that,  
6 should it agree to any additional financing beyond that provided pursuant to the terms of the Credit  
7 Agreement as in effect on the date hereof, and it undertakes no commitment to do so, it anticipates  
8 the interest rate for such financing will be higher than that provided hereunder to reflect limitations  
9 on the lien granted by this Order and the additional risk associated with such financing. Any funds  
10 advanced or loaned by UBS AG, Stamford Branch shall constitute a bona fide extension of credit  
11 to a non-affiliated borrower for purposes of the secured creditor exemption under the  
12 Comprehensive Environmental Response, Compensation Liability Act and comparable federal,  
13 state and local law. UBS AG, Stamford Branch shall not be deemed an operator or owner of the  
14 Debtor or any of its properties or incur any environmental or similar liabilities, including but not  
15 limited to, liability for environmental compliance, remediation, restoration or natural resource  
16 damages under any federal, state or local law solely as a result of providing funding, credit or  
17 advances to the Trustee.

20 8. Based on the record before this Court, it appears (and the Trustee on behalf of the  
21 Debtor has stipulated) that the terms of the Facility, the Credit Agreement and this Final Order are  
22 fair and reasonable and are supported by reasonably equivalent value and fair consideration. The  
23 Court further finds that the Trustee's agreement to the terms of the Facility and Credit Agreement  
24 on behalf of the Debtor is a sound exercise of business judgment and should be approved as set  
25 forth herein.  
26





professionals and for the Committee professionals, each of whom agrees to such difference. The Budget amount for the Committee professionals shall be \$70,000 for the five-week period (which includes the total Investigation Budget (as defined below)) and shall be requested promptly by the Trustee and escrowed immediately upon receipt. Accordingly, once such funds are escrowed, the Committee professionals shall not enjoy the benefits of the Carve-Out set forth in paragraph 16 of this Final Order. The liens of UBS and GLR are subordinated in such escrow funds to the extent professional fees and expenses are awarded to the professionals. With regard to the Trustee's professionals, in addition to the escrowed fund, they shall enjoy the benefit of the Carve-Out set forth in paragraph 16 of this Final Order. For the avoidance of doubt, the funds advanced under the Facility shall not be used for payment of any expense not specifically included and/or not approved for payment under the Budget or otherwise authorized by this Final Order.

11. Liens, Collateral and Obligations. Without limiting the approval set forth above, the Court grants as follows:

- (i) Except as set forth below, pursuant to section 364(c) and 364(d) of the Bankruptcy Code, UBS AG, Stamford Branch is granted valid and perfected first priority priming and senior security interests and liens (the "Financing Liens") in all property of the estate of the Debtor, including, but not limited to all of the Debtor's rights in tangible and intangible assets, including without limitation, all prepetition and post-petition assets of the Debtor's estate, whether existing on or as of the Petition Date or thereafter acquired, including without limitation, the Debtor's interest in oil and gas properties (and as-extracted collateral, goods, fixtures and hydrocarbons relating thereto), wells, accounts receivable, other rights to payment, any right to receive any residual of any retainer provided to any professionals after payment of such professional's allowed fees and expenses, cash, inventory, general intangibles, contracts, servicing rights, swap and hedge proceeds and termination payments, servicing receivables, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, claims and causes of action (including those arising under sections 510 or 542 through 553 of the Bankruptcy Code, except as noted below), commercial tort claims, and the proceeds of all of the foregoing (the "Collateral") or proceeds thereof. The Financing Liens granted to UBS AG, Stamford Branch are valid, perfected and enforceable first priority priming and senior liens on all the Collateral that are superior to all other prepetition or post-petition liens, claims or security

interests in favor of any other lienholder, other than the Carve-Out (as defined below) and any valid, senior, perfected and non-avoidable ad valorem tax liens in favor of Santa Barbara (subject to the limitation set forth in paragraph 38 below). For the avoidance of doubt, the Financing Liens granted to UBS AG, Stamford Branch under the Second Interim Order for funds advanced prior to the Final Hearing shall remain senior in priority to any valid and perfected ad valorem tax liens. Notwithstanding anything to the contrary herein, the Financing Liens granted herein shall not attach to (a) avoidance claims of the estate against any party other than the Debtor's current and former insiders and affiliates or (b) the proceeds thereof. The Financing Lien shall only secure the Obligations (as defined below). UBS agrees, for the benefit of the Trustee and the Committee, that it will not look to recover from avoidance claims or proceeds without first making a reasonable good faith effort to collect from Prepetition Collateral (as defined below) to satisfy the Obligations.

(ii) The Financing Liens against the assets of the Debtor and the Collateral shall be, and hereby are, confirmed, and extend to and secure all obligations and indebtedness of the Trustee on behalf of the Debtor and the Debtor's estate to UBS AG, Stamford Branch under the Facility and the Credit Agreement (the "Obligations"). The Financing Liens shall be, and are hereby determined to be, first priority priming and senior liens that are superior to all other liens, claims or security interests, pre- or post-petition, other than the Carve-Out (as defined below) and any valid, senior, perfected and non-avoidable ad valorem tax liens in favor of Santa Barbara (subject to the limitation set forth in paragraph 38 below), except as specifically set forth in this Final Order. This Final Order shall be deemed to grant and perfect, and be sufficient and conclusive evidence of the validity, perfection and priority of the Financing Liens. UBS AG, Stamford Branch may, but shall not be required, to file or record financing statements, mortgages, notices of lien, or similar instruments in any jurisdiction or take any other action in order to validate and perfect the Financing Liens granted to them pursuant to this Final Order, and the stay imposed under section 362 of the Bankruptcy Code is hereby modified solely to permit the same. If UBS AG, Stamford Branch shall, in its sole discretion, choose to file such financing statements, mortgages, notices of lien or similar instruments or otherwise confirm perfection of and the Financing Liens, the Financing Liens granted herein shall be deemed perfected at the time and on the date of entry of this Final Order. Upon request by UBS AG, Stamford Branch, the Trustee is authorized, without the further consent of any party, to take any actions and to execute and deliver such instruments as may be necessary to enable UBS AG, Stamford Branch to further perfect, preserve and enforce the Financing Liens granted to UBS AG, Stamford Branch by this Final Order.

(iii) For all Obligations, UBS AG, Stamford Branch is granted an allowed superpriority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code (the "Financing Superpriority Claim") having priority in right of payment over any and all other obligations, liabilities and indebtedness of the Trustee on behalf of the Debtor and/or the Debtor, whether now in existence or incurred by the Trustee on behalf of the Debtor and/or the Debtor after the Petition Date, and over any and all

1 administrative expenses or priority claims of the kind specified in, or ordered  
2 pursuant to, *inter alia*, sections 105, 326, 328, 330, 331, 503(b), 507(a), 364(c)(1),  
3 564(c), or 726 of the Bankruptcy Code, other than the Carve-Out (as defined below).  
4 Notwithstanding anything to the contrary herein, the Financing Superpriority Claim  
5 granted herein shall not be payable from (a) avoidance claims of the estate against  
6 any party other than the Debtor's current and former insiders and affiliates or (b) the  
7 proceeds thereof. UBS agrees, for the benefit of the Trustee and the Committee,  
8 that it will not look to recover from avoidance claims or proceeds without first  
9 making a reasonable good faith effort to collect from Prepetition Collateral (as  
10 defined below) to satisfy the Obligations. UBS agrees to observe any requirements  
11 of marshaling under applicable law.

12 12. Use of Cash Collateral. The Trustee may use Cash Collateral, on the terms and  
13 conditions set forth herein solely in accordance with the Budget until the date that is the earliest of  
14 (a) November 29, 2019, (b) the occurrence of an Event of Default (as defined in the Credit  
15 Agreement), and (c) the breach or failure of the Trustee or the Debtor to comply with the terms of  
16 this Final Order (the date of the occurrence of the earliest of (a), (b) and (c), the "Termination  
17 Date"). To the extent the Debtor holds an interest, all funds and cash investments of Debtor,  
18 including any funds on deposit at any banks or other institutions as of the Petition Date, are Cash  
19 Collateral of UBS AG, London Branch within the meaning of 11 U.S.C. § 363(a). In addition, all  
20 cash proceeds of the Prepetition Collateral (as defined below) (and investments thereof) received  
21 by the Debtor, the Trustee, or the estate of the Debtor after the Petition Date are Cash Collateral of  
22 UBS AG, London Branch within the meaning of 11 U.S.C. § 363(a). The Trustee shall not use any  
23 Cash Collateral except as permitted herein or as otherwise approved by this Court.

24 13. Compliance with the Budget. Except as otherwise set forth herein, the Trustee is  
25 hereby authorized to use all Cash Collateral until the Termination Date to pay the ordinary course  
26 operating expenses of Debtor's estate solely in accordance with the Budget (including all terms and  
27 conditions set forth therein), subject to the Permitted Variance.

28 14. Limitations on Use of Proceeds and Cash Collateral. The Trustee shall notify Huron  
Consulting Group ("Huron"), via email to both mkehl@huronconsultinggroup.com and

1 azughayer@huronconsultinggroup.com, of any payments that exceed \$7,500 not less than 36 hours  
2 prior to initiating such payment (a "Proposed Payment"). If Huron does not object to the Proposed  
3 Payment within 36 hours by email to the Trustee at michael.mcconnell@kellyhart.com, the Trustee  
4 may proceed to make such payment. Should Huron object to the Proposed Payment, such payment  
5 shall not be made without further order of the Court. The Trustee and UBS consent to judicial  
6 intervention on an expedited basis to determine whether such Proposed Payment may proceed. Any  
7 payments to be made under the Budget to Santa Barbara, departments or agencies of the County of  
8 Santa Barbara, and the Santa Barbara County Air Pollution Control District (the "APCD") must be  
9 approved by Huron. If approved, such payments shall be made timely in accordance with the  
10 Budget. For the avoidance of doubt, no payments shall be made to GIT pursuant to this Final Order  
11 for prepetition work or claims other than reimbursement with regard to the Debtor's employees.  
12 None of the Cash Collateral or the proceeds of the Facility, subject only to the Investigation Budget  
13 (as defined below), shall be used (i) to challenge UBS's claims and/or liens or (ii) to prevent or  
14 hinder UBS from exercising its rights or remedies.

15  
16  
17 15. Absent further order of the Court or written consent of UBS for payments  
18 specifically designated as a royalty payment or surface lease payment to an insider or affiliate,  
19 neither Debtor nor the Trustee shall make the following payments directly or indirectly: (i) any  
20 royalty payments or surface lease payments to insiders or affiliates of the Debtor or (ii) any payment  
21 of professional fees for the Debtor or any committee, but the Trustee shall hold any such payments  
22 provided for in the Budget in an interest-bearing escrow or segregated account. All such issues are  
23 expressly reserved for future determination. The Budget includes certain items for accounting  
24 purposes only; this Final Order does not permit payment of these items. Notwithstanding anything  
25 to the contrary, the proceeds of the Facility and Cash Collateral shall only be used to pay those  
26 items in the Budget that have been specifically approved by UBS or Huron and to escrow payments  
27

1 as set forth above. For the avoidance of doubt, neither the Debtor nor the Trustee has any authority  
2 to make, directly or indirectly, any (i) insider or affiliate royalty payments; (ii) insider or affiliate  
3 surface lease payments; (iii) professional fee payments, except payments authorized for the  
4 Trustee's professionals or Committee's professionals under this Final Order; or (iv) other payments  
5 which are listed below the line in the Budget for accounting purposes but not authorized by this  
6 Final Order, regardless of whether any such payments listed in (i)-(iv) are included in the Budget.  
7

8 16. Carve-Out. There shall be a subordination of the Financing Liens and Financing  
9 Superpriority Claim granted to UBS AG, Stamford Branch on the Collateral, and the Adequate  
10 Protection Liens (as defined below) granted to UBS AG, London Branch on the Post-Petition  
11 Collateral and GLR on the Prepetition Collateral, and Adequate Protection Superpriority Claim (as  
12 defined below) granted to UBS AG, London Branch on the Post-Petition Collateral for the  
13 aggregate amount of reasonable professional fees and expenses for the Trustee's professionals,  
14 provided that such amount for the Trustee's professionals shall not exceed 25% of the amounts set  
15 forth in the Budget and accrued prior to occurrence of an Event of Default (the "Carve-Out"). If,  
16 for any reason, any portion of the sum of \$70,000 budgeted for the Committee's professionals (up  
17 to \$50,000 of which is for the Committee's Investigation Budget (as defined below)) is not funded  
18 to an escrowed account by the Trustee pursuant to paragraph 10 hereof, then such amount shall also  
19 constitute a part of the Carve-Out. Notwithstanding the foregoing, following the occurrence of an  
20 Event of Default, the Carve-Out shall include any withheld portion of the fees and expenses for the  
21 Trustee's professionals accrued prior to such date and set forth in the Budget, and an additional  
22 amount not exceed \$15,000 in the aggregate from and after a written notice of default. It is the  
23 intention of this Final Order that the combination of the escrowed amounts under paragraph 10 plus  
24 the Carve-Out equals 100% of the Budgeted fees and expenses for the Committee's professionals  
25 and 125% of the Budgeted fees and expenses for the Trustee's professionals accrued prior to an  
26  
27  
28

1 Event of Default plus the \$15,000 provided in the prior sentence after a written notice of default, if  
2 applicable. All such professionals having consented to the differential mechanics. Nothing in this  
3 Final Order shall be construed to impair the ability of UBS to object to any fees, expenses,  
4 reimbursements, or compensation sought by the Trustee. The Carve-Out shall not be used to  
5 investigate or commence or continue any action or proceeding against UBS, subject only to the  
6 Investigation Budget (as defined below).  
7

8 17. Reporting Requirements. As a condition to use funds advanced under the Facility  
9 and Cash Collateral, the Trustee shall provide to UBS and the Committee a variance report  
10 reasonably acceptable to UBS on a weekly basis during the period for which use of such funds and  
11 Cash Collateral is permitted under this Final Order and any subsequent order, which shall be  
12 delivered by the Wednesday of the following week. Reporting of monthly sales revenue shall be  
13 no later than 5 business days following the end of the month. In addition, the Trustee and its  
14 representatives and agents shall provide to UBS and the Committee weekly reports, oral and/or  
15 written, regarding the status of operations and financial matters as well as any additional  
16 information reasonably requested by UBS.  
17

18 18. Additional Covenants.

- 19 (i) No later than November 18, 2019, the Trustee shall file an application in form and  
20 substance reasonably acceptable to UBS to retain persons acceptable to UBS on  
21 terms acceptable to UBS to provide a reserve report regarding the Debtor's  
22 hydrocarbon assets.  
23 (ii) No later than November 18, 2019, the Trustee shall file an application in form and  
24 substance reasonably acceptable to UBS to retain persons acceptable to UBS on  
25 terms acceptable to UBS to conduct a Phase I environmental study regarding the  
26 Debtor's hydrocarbon assets and operations.  
27 (iii) On or before November 18, 2019, the Trustee shall provide one or more reports to  
28 UBS as to the Trustee's efforts to stabilize and improve Debtor's operations and  
revenues, including efforts to maximize sale revenues for the benefit of the estate.

1 (iv) No later than November 18, 2019, the Trustee shall provide UBS with a 13-week  
2 cash flow budget in form and substance reasonably acceptable to UBS.

3 (v) The Debtor shall obtain and collect a minimum monthly sales revenue of \$750,000,  
4 measured as of the last day of each month.

5 19. Adequate Protection. UBS AG, London Branch is entitled, pursuant to 11 U.S.C.  
6 §§ 361 and 363(e), to adequate protection from any diminution in value of its interests in the  
7 collateral securing the Prepetition Obligations, including the Cash Collateral (collectively, the  
8 “Prepetition Collateral”), including, without limitation, any such diminution resulting from use by  
9 Debtor or the Trustee of Cash Collateral and any other collateral, and the imposition of the  
10 automatic stay pursuant to 11 U.S.C. § 362 (such diminution in value the “Adequate Protection  
11 Obligations”). Based on the Court’s prior findings regarding the value of Prepetition Collateral in  
12 connection with the Cash Collateral hearings, Santa Barbara is adequately protected for priming  
13 and use of Cash Collateral under this Final Order.

14 20. Adequate Protection – Replacement and Additional Liens. As partial adequate  
15 protection for the Adequate Protection Obligations, effective upon the commencement of this case  
16 and without the necessity of the execution by Debtor, the Trustee or UBS AG, London Branch of  
17 any mortgages, security agreements, pledge agreements, financing statements or otherwise, the  
18 following additional and replacement security interests and liens are hereby granted to UBS AG,  
19 London Branch (the “Senior Adequate Protection Liens”), subject only to (i) liens on the Collateral  
20 in favor of UBS AG, Stamford Branch to secure the Obligations, (ii) valid and perfected non-  
21 avoidable liens in existence on the Petition Date that are senior in priority to the liens securing the  
22 prepetition claims of UBS AG, London Branch, and (iii) valid liens in existence on the Petition  
23 Date that are perfected subsequent to the Petition Date as permitted by 11 U.S.C. § 546(b) that are  
24 senior in priority to the liens securing the prepetition claims of UBS AG, London Branch (subject  
25 to the limitation set forth in paragraph 38 below) ((i)–(iii) collectively, the “Permitted Liens”): (a)

1 to the full extent of any diminution in value of the Prepetition Collateral, a perfected first priority  
2 senior security interest in and lien upon all cash of Debtor and any investment of the funds of  
3 Debtor, whether existing on the Petition Date or thereafter acquired as of the date hereof and as of  
4 the Petition Date; and (b) to the full extent of any diminution in value of the Prepetition Collateral,  
5 a perfected first priority senior security interest in and lien upon all other pre- and post-petition  
6 property of Debtor, whether existing on the Petition Date or thereafter acquired, including, without  
7 limitation, all accounts, cash, Cash Collateral, deposit accounts, chattel paper, instruments,  
8 documents, investment property, supporting obligations, customer lists, letter of credit rights,  
9 inventory, fixtures, equipment, general intangibles, goods, patents, copyrights and trademarks as  
10 well as all products and proceeds of any of the foregoing and books and records relating to any of  
11 the foregoing and to Debtor's business and the proceeds of all of the foregoing (collectively, the  
12 "Post-Petition Collateral"). For the avoidance of doubt, in accordance with paragraph 24 of this  
13 Final Order, the Senior Adequate Protection Liens granted herein shall not attach to avoidance  
14 claims of the estate or proceeds thereof. The Senior Adequate Protection Liens granted under this  
15 Final Order shall be junior only to the Permitted Liens and the Carve-Out.

18 21. GLR, LLC ("GLR") shall be entitled to, as adequate protection for its interest in  
19 Prepetition Collateral, effective upon the appointment of the Trustee and without the necessity of  
20 the execution by Debtor, the Trustee or GLR of any mortgages, security agreements, pledge  
21 agreements, financing statements or otherwise, the following additional and replacement security  
22 interests and liens which are hereby granted to GLR (the "Junior Adequate Protection Liens" and  
23 together with the Senior Adequate Protection Liens, the "Adequate Protection Liens"), subject only  
24 to the Permitted Liens to the full extent of any diminution in value of the Prepetition Collateral, and  
25 only to the extent of the validity, priority, and enforceability of GLR's prepetition lien in the  
26 Prepetition Collateral, a perfected replacement security interest in and lien upon the Prepetition  
27



1 Collateral and all proceeds thereof, whether existing on the Petition Date or thereafter acquired.  
2 For the avoidance of doubt, in accordance with paragraph 24 of this Final Order, the Junior  
3 Adequate Protection Liens granted herein shall not attach to avoidance claims of the estate or  
4 proceeds thereof. The Junior Adequate Protection Liens shall be junior only to the Permitted Liens,  
5 the Carve-Out, and the Senior Adequate Protection Liens.  
6

7 22. Adequate Protection for the Use of Cash Collateral – Superpriority Claim. To the  
8 extent the Post-Petition Collateral granted to UBS AG, London Branch herein does not provide  
9 adequate protection of its interests in the Cash Collateral, the Adequate Protection Obligations shall  
10 constitute a super-priority administrative expense claim under Section 507(b) of the Bankruptcy  
11 Code (“Adequate Protection Superpriority Claim”). The Adequate Protection Superpriority Claim  
12 shall have priority over all administrative expenses of any kind or any subsequently filed  
13 bankruptcy case under any Chapter of the Bankruptcy Code in any court of competent jurisdiction,  
14 including such administrative expenses of the kinds specified in, or allowable under, Sections 105,  
15 326, 330, 331, 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code, subject only to the  
16 Financing Superpriority Claim and the Carve-Out. Additionally, no: (i) costs or expenses of  
17 administration which have been or may be incurred (a) in the Chapter 11 Case; (b) after conversion  
18 of the Chapter 11 Case to a case proceeding under Chapter 7 of the Bankruptcy Code, or (c) in any  
19 other proceeding related hereto; and/or (ii) priority claims as defined in Section 507(a) of the  
20 Bankruptcy Code are, or will be, senior to or *pari passu* with the Adequate Protection Superpriority  
21 Claim other than the Financing Superpriority Claim and the Carve-Out. For the avoidance of doubt,  
22 in accordance with paragraph 24 of this Final Order, the Adequate Protection Superpriority Claims  
23 granted herein shall not attach to avoidance claims of the estate or proceeds thereof.  
24

25  
26 23. Perfection of Adequate Protection Liens. This Final Order shall be deemed to grant  
27 and perfect, and be sufficient and conclusive evidence of the validity, perfection and priority of the  
28

1 Adequate Protection Liens as of the Petition Date. UBS AG, London Branch may, but shall not be  
2 required, to file or record financing statements, mortgages, notices of lien, or similar instruments  
3 in any jurisdiction or take any other action in order to validate and perfect the Adequate Protection  
4 Liens granted to them pursuant to this Final Order, and the stay imposed under section 362 of the  
5 Bankruptcy Code is hereby modified solely to permit the same. If UBS AG, London Branch shall,  
6 in its sole discretion, choose to file such financing statements, mortgages, notices of lien or similar  
7 instruments or otherwise confirm perfection of and the Adequate Protection Liens, the Adequate  
8 Protection Liens granted herein shall be deemed perfected at the time and on the date of entry of  
9 this Final Order. Upon request by UBS AG, London Branch, the Trustee is authorized, without the  
10 further consent of any party, to take any actions and to execute and deliver such instruments as may  
11 be necessary to enable UBS AG, London Branch to further perfect, preserve and enforce the  
12 Adequate Protection Liens granted to UBS AG, London Branch by this Final Order.  
13

14  
15 24. The Adequate Protection Liens granted by this Final Order and the Adequate  
16 Protection Superpriority Claim granted by this Final Order shall not attach to avoidance claims of  
17 the estate or proceeds thereof. For the avoidance of doubt, nothing in this Final Order shall prevent  
18 UBS from asserting claims against or participating in such claims or proceeds under any other basis,  
19 including with respect to the Financing Liens. Without limiting the foregoing, this provision shall  
20 not be retroactive, such that nothing in the Final Order shall alter or change the status of, or impose  
21 any limitation or agreement on, any lien or claim against such avoidance actions or proceeds thereof  
22 with regard to use of Prepetition Collateral or Cash Collateral granted by any order entered in this  
23 case prior to the date hereof. Nothing herein shall impair or modify UBS AG, London Branch's  
24 rights to seek additional adequate protection pursuant to section 507(b) of the Bankruptcy Code in  
25 the event that the adequate protection provided to UBS AG, London Branch hereunder is  
26  
27

1 insufficient to compensate for any diminution in value of its interests in the Cash Collateral or any  
2 other Prepetition Collateral during this case or any successor case.

3 25. Termination of Cash Collateral Use. On the Termination Date, the Trustee's right  
4 to use the Cash Collateral on the terms and conditions set forth in this Final Order shall terminate  
5 automatically. By written agreement, UBS AG, London Branch may agree to waive such  
6 termination in full or permit only limited use of Cash Collateral in any manner following such  
7 event.  
8

9 26. Budget Amendments. UBS may, but is not required to, by written agreement,  
10 amend the Budget, including to, among other things, extend the date through which Cash Collateral  
11 may be used and to increase the amount of Cash Collateral that may be used thereunder; *provided,*  
12 *however,* that any amendment to the Budget made pursuant to the authority set forth in this Final  
13 Order shall be subject to the following conditions and limitations:  
14

15 (a) any such amendment shall not alter the nature and types of payments that were  
16 authorized under this Final Order; and

17 (b) any such amendment shall require the consent of the Trustee.

18 The foregoing conditions and limitations are intended to apply only to consensual changes to the  
19 Budget that are made pursuant to the authority of this Final Order.

20 27. Upon entry of a written amendment in compliance with the foregoing, the new  
21 agreed budget shall constitute the Budget for all purposes under this Final Order and the Credit  
22 Agreement.  
23

24 28. Promptly following the amendment of the Budget in accordance with the foregoing,  
25 the Trustee shall promptly file notice with this Court, and provide notice of such entry to all parties  
26 entitled to notice.  
27



1 relief requested by UBS AG, Stamford Branch shall have the burden of proof why the automatic  
2 stay should not be lifted with respect to the Collateral.

3 32. Further Assurances. No further actions shall be required to reflect the Financing  
4 Liens or Adequate Protection Liens granted to UBS or the Obligations or Adequate Protection  
5 Obligations incurred by the Trustee or the Debtor. Notwithstanding the foregoing, the Trustee and  
6 UBS are granted authority to take any such actions and execute any such documents as they may  
7 deem appropriate to reflect the Financing Liens and the Adequate Protection Liens granted to UBS  
8 or the Obligations incurred by the Trustee or the Debtor, including without limitation execution  
9 and delivery of one or more notes, deeds of trust, financing agreements and all other actions as  
10 UBS may reasonably request.

12 33. Section 506(c) Waiver. All rights of the Debtor, the Trustee, and the estate to  
13 surcharge the collateral of UBS are hereby waived for rights accruing during the period that the  
14 Trustee receives advances or is authorized to use Cash Collateral pursuant to this Final Order or  
15 the Credit Agreement, provided that, as consideration for such waiver, the Trustee shall be  
16 authorized to obtain advances and use Cash Collateral for expenses in the Budget prior to any Event  
17 of Default or Termination Date, and further provided that the waiver shall apply whether or not the  
18 Trustee actually uses such advance or Cash Collateral for a specific expense set forth in the Budget  
19 or uses them for another purpose so long as such funds are actually disbursed by the Trustee.

22 34. Right to Credit Bid. UBS shall have the right to credit bid up to the full amount of  
23 its outstanding Obligations and Prepetition Obligations in connection with any sale of the Debtor's  
24 assets, the Prepetition Collateral, the Post-Petition Collateral or the Collateral under section 363 of  
25 the Bankruptcy Code. If UBS transfers all or any portion of its claims, the right of the transferee  
26 to credit bid shall remain subject to a challenge "for cause" under section 363(k) of the Bankruptcy  
27 Code solely based upon the transfer, the actions of the transferee, or events arising after such

1 transfer. All defenses to any such challenge to the credit bid rights of a transferee are preserved.  
2 Nothing herein shall constitute consent by UBS to any sale of such assets, Prepetition Collateral,  
3 the Post-Petition Collateral or the Collateral.

4 35. Successors and Assigns. The provisions of this Final Order shall be binding upon  
5 UBS, the Debtor, the Trustee and their respective successors and assigns (including any other  
6 trustee hereinafter appointed or elected for the Debtor's estate) and inure to the benefit of UBS, the  
7 Trustee and the Debtor and their respective successors and assigns.

9 36. Compliance with Laws. Nothing in this Final Order or the Budget shall permit the  
10 Debtor or the Trustee to violate 28 U.S.C. § 959(b), and nothing in this Final Order or the Budget  
11 shall in any way diminish the obligation of any entity, including the Debtor and the Trustee, to  
12 comply with environmental laws.

13 37. Priority. Except as set forth herein with respect to the Financing Liens, nothing in  
14 this Final Order shall determine or effect the relative priority of any senior prepetition lien or post-  
15 petition lien, and all rights are expressly reserved in that regard. All rights are expressly reserved  
16 with respect to whether any asset is cash collateral for any entity other than UBS and thus any  
17 entitlement of such other entities to adequate protection, including without limitation any  
18 superpriority claim.

20 38. To the extent Santa Barbara has valid, senior, perfected, and non-avoidable liens for  
21 ad valorem taxes, penalties, interest, and attorneys' fees under applicable law, the Financing Liens  
22 and Adequate Protection Liens granted to secure Obligations incurred under the Facility after the  
23 Final Hearing on November 21, 2019 in accordance with this Final Order shall be junior in priority  
24 and subject to such valid, senior, perfected, and non-avoidable ad valorem tax liens in favor of  
25 Santa Barbara only to the extent of such lien on the Collateral. For the avoidance of doubt, the  
26 Financing Liens, Financing Superpriority Claim, Adequate Protection Liens, and the Adequate  
27

1 Protection Superpriority Claim granted to UBS AG, Stamford Branch under the Second Interim  
2 Order to secure all Obligations advanced by UBS AG, Stamford Branch pursuant to the Interim  
3 Order and Second Interim Order prior to November 21, 2019 are valid, perfected and enforceable  
4 first priority priming and senior liens on all the Collateral that are superior to all other prepetition  
5 or post-petition liens, claims or security interests in favor of any other lienholder (including any  
6 valid, perfected, enforceable and non-avoidable ad valorem tax liens), other than the Carve-Out.  
7 Nothing in this Final Order shall determine the priority, amount, and extent of the Santa Barbara  
8 ad valorem tax liens or claims. All rights with regard to priority, amount, and extent of the Santa  
9 Barbara tax liens or claims are fully preserved.

11 39. Effect of Final Order. If any or all of the provisions of this Final Order are hereafter  
12 reversed, modified, vacated or stayed, such reversal, modification, vacatur or stay, shall not affect  
13 (i) the validity of any Adequate Protection Obligations incurred before the actual receipt of written  
14 notice by UBS AG, London Branch of the effective date of such reversal, modification, vacatur or  
15 stay or (ii) the validity or enforceability of any lien or priority authorized or created hereby.  
16 Notwithstanding any such reversal, modification, vacatur or stay, any use of the Facility proceeds  
17 or Cash Collateral or Obligations or Adequate Protection Obligations incurred by Debtor or the  
18 Trustee to UBS before the actual receipt of written notice by UBS of the effective date of such  
19 reversal, modification, vacatur or stay, shall be governed in all respects by the original provisions  
20 of this Final Order, and UBS shall be entitled to all the rights, remedies, privileges and benefits  
21 granted in section 363(m) of the Bankruptcy Code and this Final Order with respect to all uses of  
22 the Facility proceeds or Cash Collateral and the Obligations or Adequate Protection Obligations.

25 40. Except as expressly provided in this Final Order, the Financing Liens, the  
26 Superpriority Claims, the Adequate Protection Liens, the Adequate Protection Superpriority Claims  
27 and all other rights and remedies of UBS granted by the provisions of this Final Order shall survive,

1 and shall not be modified, impaired or discharged by (i) the entry of an order converting the case  
2 to a case under chapter 7, dismissing of the case, or by any other act or omission or (ii) the entry of  
3 an order confirming a plan in the case. The terms and provisions of this Final Order shall continue  
4 in this case, or in any superseding chapter 7 case under the Bankruptcy Code, and the Financing  
5 Liens, the Superpriority Claims, the Adequate Protection Liens, the Adequate Protection  
6 Superpriority Claims, and all other rights and remedies of UBS granted by the provisions of this  
7 Final Order shall continue in full force and effect until the Obligations and the Adequate Protection  
8 Obligations are indefeasibly paid in full.

10 41. Findings of Fact and Conclusions of Law. This Final Order shall constitute findings  
11 of fact and conclusions of law of the Court and shall take effect immediately upon execution hereof.

12 42. Filing. This Final Order may be filed in any state or local jurisdiction in order to  
13 evidence and perfect UBS's liens and security interests, as granted and confirmed herein. At the  
14 request of UBS's counsel, the clerk of court shall issue a certified copy of this Final Order and shall  
15 execute such other certificates or affidavits of authenticity as may be reasonably necessary to put  
16 this Final Order in a form that may be accepted by the applicable filing office.

18 43. Business Judgment and Good Faith Pursuant to Section 364(e) of the Bankruptcy  
19 Code. The terms of the Facility, Credit Agreement, and this Final Order were negotiated in good  
20 faith and at arms' length among the Trustee and UBS. Financing provided under the Facility and  
21 the Credit Agreement shall be deemed to have been extended in good faith and for valid business  
22 purposes and uses, within the meaning of section 364(e) of the Bankruptcy Code.

24 44. Stipulations. Effective upon the expiration of the Challenge Period (as defined  
25 below), the Trustee will be deemed to have admitted, acknowledged, agreed and stipulated that: (i)  
26 the amount due to UBS under the Prepetition Credit Agreements, as of June 30, 2019, is  
27 approximately \$127 million, plus such allowable interest, fees and charges as may accrue



1 thereafter; (ii) the Prepetition Obligations constitute legal, valid, enforceable and binding  
2 obligations of the Debtor; (iii) no offsets, defenses or counterclaims to the Prepetition Obligations  
3 exist; (iv) no portion of the Prepetition Obligations is subject to avoidance, disallowance, reduction  
4 or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (v) the  
5 Prepetition Credit Agreements are valid and enforceable by UBS AG, London Branch against the  
6 Debtor; (vi) the liens and security interests in the Prepetition Collateral securing the Prepetition  
7 Obligations (the “Prepetition Liens”) were perfected as of the Petition Date and constitute legal,  
8 valid, binding, enforceable and perfected liens in and to the Prepetition Collateral and are not  
9 subject to avoidance, reduction, disallowance, disgorgement, counterclaim, surcharge or  
10 subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law, and such liens  
11 had priority over any and all other liens on the Prepetition Collateral, subject only to certain liens  
12 expressly permitted by the Prepetition Credit Agreements (to the extent any such permitted liens  
13 were legal, valid, properly perfected, non-avoidable and senior in priority to the Prepetition Liens  
14 as of the Petition Date or thereafter pursuant to section 546(b) of the Bankruptcy Code); (vii) the  
15 Prepetition Obligations constitute allowed secured claims against the Debtor’s estate to the extent  
16 of the Collateral; and (viii) the Debtor and its estate have no claim, objection, challenge or cause  
17 of action against UBS or any of its affiliates, parents, subsidiaries, partners, controlling persons,  
18 agents, attorneys, advisors, professionals, officers, directors and employees, whether arising under  
19 applicable state or federal law (including, without limitation, any recharacterization, subordination,  
20 avoidance or other claims arising under or pursuant to sections 105, 510 or 542 through 553 of the  
21 Bankruptcy Code), in connection with any of the Prepetition Credit Agreements (or the transactions  
22 contemplated thereunder), the Prepetition Obligations or the Prepetition Liens, including without  
23 limitation, any right to assert any disgorgement or recovery.  
24  
25  
26  
27  
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1 Facility may be used by the Committee in respect of any such investigation (the "Committee's  
2 Investigation Budget" and together with the Trustee's Investigation Budget, the "Investigation  
3 Budget"). The Committee's Investigation Budget represents the total amount of funds advanced  
4 under the Facility that may be used by the Committee in respect of any such investigation during  
5 this bankruptcy case.

6  
7 49. No Stay. There is no stay of this Final Order, including no stay pursuant to Federal  
8 Rule of Bankruptcy Procedure 6004(h) (to the extent applicable).

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20  
21  
22  
23 Date: November 27, 2019



24 Martin R Barash  
25 United States Bankruptcy Judge  
26  
27  
28

###

**Agreed as to form only:**

**PACHULSKI STANG ZIEHL & JONES LLP**

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**ATTORNEYS FOR THE COUNTY OF SANTA BARBARA, CALIFORNIA; HARRY E. HAGEN, AS TREASURER-TAX COLLECTOR OF THE COUNTY OF SANTA BARBARA, CALIFORNIA; AND THE SANTA BARBARA COUNTY AIR POLLUTION CONTROL DISTRICT**

**Agreed as to form only, and shall not indicate that this Final Order satisfies condition under the Credit Agreement nor that the condition is waived:**

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###

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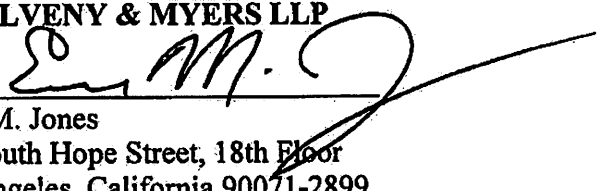
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**Agreed as to form only, and shall not indicate that this Final Order satisfies condition under the Credit Agreement nor that the condition is waived:**

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**ATTORNEYS FOR UBS AG, LONDON BRANCH AND UBS AG, STAMFORD BRANCH**

# EXHIBIT 1

EXHIBIT "1"

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
1	Beginning Cash Balance	36,784	-	-	-	-	36,784
2	<u>Cash Inflows</u>						
3	SMV	-	12,000	-	1,460,858	-	1,472,858
	Redu	-	-	-	49,917	-	49,917
	Belridge	-	-	-	58,155	-	58,155
	Total Cash Inflows	-	12,000	-	1,568,931	-	1,580,931
4	Royalties	-	(118,392)	-	(141,171)	-	(259,562)
5	Escrow Royalties	-	(27,690)	-	(27,148)	-	(54,838)
	Total Net Cash Inflows	-	(134,081)	-	1,400,611	-	1,266,530
	<u>Cash Outflows</u>						
6	Operating Expenses						
7	Payroll Checks	-	76,000	-	76,000	-	152,000
8	Payroll Taxes	28,763	-	29,000	-	29,000	86,763
	Garnishment & Child Support	-	2,011	-	1,006	-	3,017
9	Surface Rents	-	75,634	-	-	-	75,634
10	Consultants	-	9,008	-	9,008	-	18,015
11	Phones	-	2,500	-	2,000	-	4,500
12	Power PG&E	-	30,000	-	170,000	-	200,000
13	Power SoCalEdison	-	20,000	-	-	-	20,000
	Waste Management	-	2,100	-	-	2,100	4,200
	Water	-	1,000	2,000	-	-	3,000
	SouthernCalGas	-	75	75	-	75	225
	Portable Restrooms	-	1,100	-	1,500	-	2,600
	Alarms	-	-	500	-	-	500
	Cafeteria	-	-	-	250	-	250
	Copies	-	-	-	250	-	250
14	Chemicals	-	10,000	5,000	5,000	5,000	25,000
15	Pumps	-	25,000	10,000	10,000	10,000	55,000
16	Gasoline	-	25,000	12,500	12,500	12,500	62,500
17	Transportation	-	-	-	150,000	-	150,000
18	Vacuum Trucks	-	-	-	56,000	-	56,000
19	LCR	-	-	-	575,000	-	575,000
20	Electricians	-	10,000	5,000	10,000	5,000	30,000
21	Welders	-	5,000	2,500	2,500	2,500	12,500
22	Supplies (Belts-Parts)	-	2,000	1,500	1,500	1,500	6,500

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
23	Parts (Compressor, Pipe, others)	-	5,000	5,000	5,000	5,000	20,000
24	Clean Chemical towers	-	3,000	1,500	1,500	1,500	7,500
25	Vehicle maintenance	-	16,000	-	8,000	-	24,000
	Drink Water	-	150	-	150	-	300
26	Weed abatement	-	15,000	10,000	10,000	10,000	45,000
27	Well Analysis	-	3,000	-	3,000	-	6,000
28	Compliance	-	25,000	-	25,000	-	50,000
	Fire Department	-	-	-	-	-	-
29	APCD	-	2,000	2,000	2,000	2,000	8,000
30	SBP - APCD	-	-	-	146,436	-	146,436
31	SBP - P&D	-	-	-	159,843	-	159,843
32	SBP - FD	-	-	-	16,440	-	16,440
33	SBP - EHS	-	-	-	10,475	-	10,475
	SBP - Tax	-	-	-	-	-	-
34	Escrow - Surface Rents	-	7,500	-	-	-	7,500
35	Netherland and Sewell Reserve Report	-	-	-	-	25,000	25,000
	<b>Total Operating Expenses</b>	<b>28,763</b>	<b>373,078</b>	<b>86,575</b>	<b>1,470,357</b>	<b>111,175</b>	<b>2,069,948</b>
	<b>G&amp;A Expenses</b>						
	Bank Charges & fees	100	100	100	100	100	500
36	Insurances	-	9,000	9,000	19,000	-	37,000
37	Chapter 11 Trustee Professionals	228,834	108,894	108,894	108,894	108,894	664,410
38	Unsecured Creditor Committee Professionals	-	-	-	50,000	-	50,000
39	U.S. Trustee Payment	-	25,000	-	-	-	25,000
40	Backoffice & Administrative	-	-	-	156,000	-	156,000
	Interest	-	-	-	-	-	-
	<b>Total G&amp;A</b>	<b>228,934</b>	<b>142,994</b>	<b>117,994</b>	<b>333,994</b>	<b>108,994</b>	<b>932,910</b>
41	<b>Health and Safety</b>						
42	SMV Health and Safety	-	28,000	88,000	56,000	16,000	188,000
43	Belridge Health and Safety	-	4,500	5,000	20,000	3,000	32,500
44	Redu Health and Safety	-	31,047	3,000	16,000	40,000	90,047
	<b>Total Health and Safety</b>	<b>-</b>	<b>63,547</b>	<b>96,000</b>	<b>92,000</b>	<b>59,000</b>	<b>310,547</b>
45	<b>Total Cash Outflows</b>	<b>257,697</b>	<b>579,618</b>	<b>300,569</b>	<b>1,896,351</b>	<b>279,169</b>	<b>3,313,405</b>
	<b>Net Cash Flow</b>	<b>(257,697)</b>	<b>(713,699)</b>	<b>(300,569)</b>	<b>(495,740)</b>	<b>(279,169)</b>	<b>(2,046,875)</b>
	<b>Beginning Cash Balance</b>	<b>36,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,784</b>



Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	Net Cash Flow	(257,697)	(713,699)	(300,569)	(495,740)	(279,169)	(2,046,875)
	Net Borrowing/(Pay Down)	220,913	713,699	300,569	495,740	279,169	2,010,091
	Ending Cash Balance	-	-	-	-	-	-
46	Loan Balance	220,913	934,613	1,235,182	1,730,922	2,010,091	2,010,091
1	Book Bank Balance Reconciliation						
	Starting Balance 10/24/19	18,022					
	Transfer for net amount for Sept Revenue	23,810					
	Transfer #1 against October Revenue	60,000					
	Transfer #2 against October Revenue	20,000					
	Balance as of 10/25/19	121,832					
	Total Check Disbursements on 10/25/19	85,048					
	Net Available book balance 10/28/19	36,784					
2	Forecast dependent on actual volume of delivered barrels, price and gravity adjustments. The price per barrel is calculated for Santa Maria Valley using the average price per barrel posted by Chevron, Union 76, Exxon and Shell for Midway Sunset crude less \$7. The price per barrel for Redu is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$5.75. The price per barrel for Belridge is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$0.75. All pricing is subject to adjustments based upon the gravity of the oil produced. The prior month's revenue is collected on the 20th of the following month. See the October 2019 Revenue Projection schedule for a detailed build up of the forecasted revenue.						
3	Affiliate California Asphalt Production, Inc. advanced \$80k of the forecasted revenue for October to HVI in week 13 and an additional \$12k in week 15 to cover a surface lease payment to Boisseranc.						
4	In aggregate, monthly royalties are approximately 13% of production which is approximately 1 month's revenue less the LCR shipments.						
5	Escrow Royalties are based upon an insider's 2.5% overriding royalty on 1 month's production which is approximately 1 month's revenue less the LCR shipments.						
6	Due to cash flow constraints in Week 14, the majority of forecasted disbursements for the week were rolled into the forecasted disbursements for week 15.						
7	Bi-weekly payroll for HVI's 41 employees, including insider Alex Dimitrijevic's compensation that, as the President and COO of HVI, is subject to a 15 day objection period prior to disbursement.						

HVI CAT CANYON INC.		Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL																										
weeks 14-18 budget		Week 14	Week 15	Week 16	Week 17	Week 18																											
Notes	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19																											
8	Schedule of payroll taxes due to State and Federal Taxing Authorities due on week 13:																																
	<table><tr><td>Federal Income Tax Withholding</td><td>8,999.87</td></tr><tr><td>Social Security Tax Withholding</td><td>12,264.18</td></tr><tr><td>Medicare Tax Withholding</td><td>2,872.94</td></tr><tr><td>Total Form 941 Liability</td><td>24,156.99</td></tr><tr><td colspan="2"></td></tr><tr><td>Federal Unemployment Insurance Liability</td><td>35.30</td></tr><tr><td colspan="2"></td></tr><tr><td>State Income Tax Withholding</td><td>3,215.65</td></tr><tr><td>CA SDI Tax Withholding</td><td>990.69</td></tr><tr><td>State Unemployment Insurance</td><td>364.81</td></tr><tr><td>Total Form DE-9 Liability</td><td>4,571.15</td></tr><tr><td colspan="2"></td></tr><tr><td>Total Liability for 10-25-2019 Payroll</td><td>28,763.44</td></tr></table>							Federal Income Tax Withholding	8,999.87	Social Security Tax Withholding	12,264.18	Medicare Tax Withholding	2,872.94	Total Form 941 Liability	24,156.99			Federal Unemployment Insurance Liability	35.30			State Income Tax Withholding	3,215.65	CA SDI Tax Withholding	990.69	State Unemployment Insurance	364.81	Total Form DE-9 Liability	4,571.15			Total Liability for 10-25-2019 Payroll	28,763.44
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9	Surface Rent Sub schedule																																
	Surface Lease Owner:	Amount	Timing																														
	Boisseranc	\$ 11,956	Due on the 1st of each month																														
	Buganko	\$ 41,878	Due on the 1st of the month. This amount includes \$27k for unpaid surface lease payments from prior post-petition budgets.																														
	Medema (1/2) Thomson (1/4) (- McLaughlin (1/4)	\$ 7,500	Due on the 1st of each month																														
	(3) Etchandy family members	\$ -	Lease to be rejected, no amount due																														
	State College, LLC (Evelyn Roper)	\$ -	\$1,5851.33 due on an annual basis - has been paid for 2019.																														
	Adam Family Trust	\$ -	No amount due																														
	Orcutt Fee, LLC	\$ -	\$5,000 due on Annual - paid for 2019																														
	Marianne Friedl	\$ -	\$3,700 due on Annual - paid for 2019																														
	C.M.T LLC	\$ -	\$100 will be due in January 2020.																														
	Manfred Sander	\$ 6,800	Due before the end of October 2019																														
	E & B Natural Resources	\$ -	Under review, no amount currently due																														
	Grundoon, LLC (Firestone)	\$ 7,500	Due on the 1st of each month																														
	Morganti Ranch	\$ -	\$5,500 on a monthly basis but lease is currently shut-in so no amount due.																														
	Morganti Ranch	\$ -	Under review, no amount currently due																														
	Morganti Ranch	\$ -	Under review, no amount currently due																														
	Railroad	\$ -	\$454 due in December 2019																														
	(4) Righetti family members	\$ -	\$3,000 per quarter, next payment due in December 2020																														
	(3) Judy A. Rogers, Ronald H. Souza, Jr., Michael J. Souza	\$ -	\$750 due in January 2020																														
	Roland and Sandy Miller	\$ -	\$300 due in December 2019																														
	Multiple Bradley Lands	\$ -	No amount due in October or November 2019																														
	Total amount due in week 14	\$ 75,634																															
10	HVI pays the following 3 consultants on a biweekly basis:																																
	Name and Description:	Amount:																															

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	i) William LaFleur - Landman	\$	3,000				
	ii) Innovative Consulting Solutions - production accountant	\$	1,923				
	iii) Alliance-Hydro - Geologist	\$	4,085				
	<b>Total Amount due to Consultants</b>	\$	<b>9,008</b>				
11	Amounts include HVI's office line at their East Clarke office and cell phones for all field employees.						
12	Per adequate assurance order, \$30k deposit due in Week 15 and \$170k due in Week 17 (prior to the 20th).						
13	Amount due for prior month's power usage.						
14	Chemicals used for H2S removal that are critical to production - currently on COD terms with chemicals vendor						
15	Pump maintenance and rework costs that are critical to production.						
16	HVI makes daily gasoline purchases for the tankers used to haul oil and gas production with a weekly run rate of approximately \$12,500. Week 15 assumes weekly run rate and payment of approximately \$12.5k of overdue invoices.						
17	Amount due to affiliate GTL1 for transportation costs for hauling crude and LCR, vehicle leasing and insurance costs and demurrage charges. GTL1 pays drivers \$17.50/hr. for demurrage but charges HVI \$80/hr.						
18	Amount due to affiliate GTL1 for vacuum trucks, HVI pays \$80/hr., has a monthly run rate between 600-700 hours, and week 17 assumes a 700 hour month.						
19	Per Ernesto Olivares, as of 10/27/19, HVI has received 7,476 BBLs of Light Crude ("LCR") deliveries priced at \$76.50 per BBL. Approximately 100 additional BBLs are estimated to be delivered before month's end.						
20	The weekly run rate for electricians is approximately \$5k and week 15 assumes payment of approximately \$5k of overdue invoices.						
21	The weekly run rate for welders is approximately \$2.5k and week 15 assumes payment of approximately \$2.5k of overdue invoices.						
22	Assumes a weekly run rate of \$1.5k with an additional approximately \$1k of overdue invoices to be paid in week 15.						
23	Assumes a weekly run rate of \$5k.						
24	Assumes a weekly run rate of \$1.5k for H2S fluid and week 15 assumes payment of \$1.5k of invoices due in week 14.						
25	Assumes \$8k bi-weekly run rate for the maintenance costs for all oil field service vehicles, including rigs. Week 15 assumes payment of an overdue invoice for approximately \$8k for rig maintenance.						
26	Weekly run rate for critical safety and fire protection for HVI's 700+ wells and reduction of Notice of Violation ("NOV") fines. Currently understaffed in this area and run rate assumes increasing team size from 1 to approximately 2 five man teams.						
27	Per Alex D, up to date on well inspections through week 14 so run rate assumes bi-weekly maintenance needed in November 2019.						
28	Weekly run rate for 3rd party consultants for critical compliance requirements such as SPC ("Spill Prevention and Countermeasure") plans and APCD ("Air Pollution and Control District") plans that need to be submitted before year-end to mitigate future fines and penalties from regulatory bodies.						
29	Related to administrative invoicing for APCD post-petition inspections related to 35 permits necessary to mitigate potential fines and penalties.						
30	Passed due post-petition Permit to Operate ("PTO") fees from the APCD for the following 13 HVI leases, excluding 1 lease quitclaimed to an insider. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:						
	<u>Facility</u>	<u>Fee</u>					
	Armelin Lease PTO No. 07775 - R8	\$	7,895				

	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
Notes	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	Battles Lease PTO No. 08219 - R11	\$	7,323				
	Bradley Lands/Bradely Consolidated Lease PTO No. 071	\$	41,123				
	Continental Lease PTO No. 08222 - R11	\$	5,425				
	Cross Development Lease PTO No. 08863 - R9	\$	458				
	East Valley Farms Lease PTO No. 08864 - R9	\$	458				
	Fullerton Lease PTO No. 08868 - R13	\$	7,551				
	Jim Hopkins Lease PTO No. 09310 - R8	\$	13,796				
	Lakeview Gas Plant PTO No. 10108 - R8	\$	38,032				
	Lakeview Lease PTO No. 10096 - R8	\$	7,385				
	Los Flores PTO No. 07307 - R12	\$	16,074				
	McKenzie Lease PTO No. 10079 - R8	\$	458				
	Olean Lease PTO No. 10080 - R8	\$	458				
	Total due for APCD PTOs	\$	146,436				
	<u>Excluded PTO fee due to a quitclaimed lease to an insider.</u>						
	Golco Lease PTO No. 10078 - R8	\$	4,679				
31	Amount is based upon the following County of Santa Barbara Planning and Development post-petition facility and lease inspection fees. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:						
	<u>Account Number/Permit ID Number:</u>	<u>Amount:</u>					
	Permit ID # 19ACB-00000-00914 for 500 post-petition						
	un-inspected facilities	\$	110,452				
	19ACT-00880	\$	210				
	19ACT-00922	\$	6,560				
	19ACT-00920	\$	10				
	19ACT-00914	\$	350				
	19ACT-00921	\$	6,280				
	19ACT-00926	\$	12,640				
	19ACT-00928	\$	9,032				
	19ACT-00938	\$	108				
	19ACT-00930	\$	10				
	19ACT-00932	\$	10				
	19ACT-00934	\$	108				
	19ACT-00936	\$	108				
	19ACT-00887	\$	262				
	19ACT-00878	\$	420				
	19ACT-00877	\$	210				
	19ACT-00879	\$	210				
	19ACT-00881	\$	220				

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Notes	HVI CAT CANYON INC. weeks 14-18 budget week starting	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
		Week 14	Week 15	Week 16	Week 17	Week 18	
		28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	19ACT-00924	\$ 12,640					
	Total due to P&D for inspection fees	\$ 159,843					
32	Amount is based upon the following Santa Barbara County Fire Department Post-Petition California Fire Code Inspection Permit Fees. Subject to revision if permits for additional quitclaimed leases to insiders are identified:						
	<u>Site Name</u>	<u>Amount:</u>					
	Battles	\$ 1,370					
	Blochman	\$ 1,370					
	Bell Gas Compressor	\$ 1,370					
	Bell Lease	\$ 1,370					
	Casmalia/Morganti	\$ 1,370					
	Chamberlin B	\$ 1,370					
	Chamberlin	\$ 1,370					
	Davis B	\$ 1,370					
	Davis	\$ 1,370					
	Fullerton Lease	\$ 1,370					
	Jim Hopkins	\$ 1,370					
	Los Flores	\$ 1,370					
	Total due for Fire Department CFC Permits	\$ 16,440					
33	Per Docket #308, Declaration of James Ray, California Unified Program Agency Supervisor for the Santa Barbara County Environmental Health Services ("EHS"), amounts due for the following Santa Barbara Post-petition Environmental Health Services Permit Fees - <i>originally forecast to be distributed in week 2</i> :						
	<u>Permit ID:</u>	<u>Permit Fee for 2020:</u>					
	FA0010063	\$ 1,857					
	FA0010325	\$ 555					
	FA0010326	\$ 555					
	FA0011176	\$ 555					
	FA0011177	\$ 555					
	FA0012015	\$ 555					
	FA0012328	\$ 555					
	FA0012329	\$ 555					
	FA0012330	\$ 555					
	FA0012495	\$ 555					
	FA0013065	\$ 555					
	FA0013112	\$ 555					
	FA0013113	\$ 555					
	FA0013114	\$ 555					
	FA0013136	\$ 555					

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	FA0015899	\$	848				
	Total amount due for EHS permits	\$	10,475				
34	Rent due on HVI East Clarke office - not approved under Interim Cash Collateral Order						
35	Chapter 11 Trustee negotiated a progress payment plan with Netherland & Sewell for a 2019 Reserve Report. The \$100-\$120k total fee can be paid on weekly basis for \$25k a week once they start work.						
36	Per Ernesto Olivares, a total of \$18k for worker's comp insurance to be paid in weeks 15 and 16 and \$19k to renew \$1MM bond due in week 17.						
37	Chapter 11 Trustee professionals agree to a 20% deferral of professional fees incurred during this 5-week period, assuming the bank agrees to carve out the remaining 20%. Per Professional Fee Budget, weekly payments for Chapter 11 Trustee, Counsel and Financial Advisor will be put in escrow during this 5-week budget. Payments to professionals to be made only after employment applications are approved and payments authorized.						
38	Per Professional Fee Budget, Unsecured Creditors Committee Counsel has a forecasted \$50k monthly run rate and payments will be put in escrow during this 5-week budget.						
39	Per Professional Fees budget, US Trustee payment for Q3 2019 forecasted for week 15 based upon 1% of debtors disbursements in Q3 2019 of approximately \$2.5M per August and September Monthly Operating Reports ("MOR").						
40	Per Ernesto Olivares on 10/30/2019, affiliate GIT's October 2019 invoice for back office and administrative services will be approximately \$156k. GIT allocates expenses among the affiliated entities based upon headcount of each respective entity. Per Cost and Sale Summary schedule, GIT's allocation and the Legal Fee summary schedule details of the pre-petition invoices offset against revenue due to HVI in Week 13.						
41	Per the draft 13-week Health and Safety Budget to be presented in 2-weeks.						
42	The amounts reflected here reflect the first 4-weeks of the draft 13-week total SMV Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$275k but should reduce compliance violation fines and environmental risks.						
43	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Belridge Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$66k but should reduce compliance violation fines, environmental risks and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
44	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Redu Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$337k but should reduce compliance violation fines, environmental risks, and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
45	Total Cash Outflows for Operating, General and Administrative, and Health and Safety Expenses but not including royalties.						
46	Estimated Funding required for the 5-week period ending week 18, excluding interest, is approximately \$2M. Interest to be added to the 13-week budget to be presented in 2-weeks.						

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**Agreed as to form only:**

**PACHULSKI STANG ZIEHL & JONES LLP**

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**ATTORNEYS FOR THE COUNTY OF SANTA BARBARA, CALIFORNIA; HARRY E.  
HAGEN, AS TREASURER-TAX COLLECTOR OF THE COUNTY OF SANTA**

**BARBARA, CALIFORNIA; AND THE SANTA BARBARA COUNTY AIR POLLUTION  
CONTROL DISTRICT**

**Agreed as to form only, and shall not indicate that this Final Order satisfies condition under  
the Credit Agreement nor that the condition is waived:**

**O'MELVENY & MYERS LLP**

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**ATTORNEYS FOR UBS AG, LONDON BRANCH AND UBS AG, STAMFORD BRANCH**